

731

The Borden Company
AND SUBSIDIARY COMPANIES

FIRST ANNUAL REPORT

For the fiscal year ended December 31, 1919

April 1920 • THE BORDEN COMPANY • *New York*

The Borden Company

AND SUBSIDIARY COMPANIES



FIRST ANNUAL REPORT

The Borden Company

AND SUBSIDIARY COMPANIES



FIRST ANNUAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1919



April 1920
THE BORDEN COMPANY
New York

THE BORDEN COMPANY

DIRECTORS

LEWIS M. BORDEN	THEODORE F. MERSELES	GEORGE L. NICHOLS
WALTER M. GLADDING	ALBERT G. MILBANK	HENRY C. SHERMAN
EDGAR L. MARSTON	ARTHUR W. MILBURN	FRANKLIN D. SHOVE

OFFICERS

ALBERT G. MILBANK, *Chairman Board of Directors*

ARTHUR W. MILBURN, *President*

WALTER M. GLADDING, *Vice-President*

FRANKLIN D. SHOVE, *Treasurer*

SHEPARD RARESHIDE, *Assistant Treasurer*

SIDNEY J. PEARSON, *Secretary*

WILLIAM P. MARSH, *Assistant Secretary*

ALBERT T. JOHNSTON, *Assistant to the President*

GEORGE M. WAUGH, JR., *Controller*

GENERAL OFFICES

THE BORDEN COMPANY

108 Hudson Street, New York City

180 St. Paul Street West, Montreal, Canada

BORDEN'S FARM PRODUCTS COMPANY, Inc.

63 Vesey Street, New York City

120 Murray Street, Montreal, Canada

Transfer Agent, REGISTRAR AND TRANSFER COMPANY, 120 Broadway, New York City

Registrar, BANKERS TRUST COMPANY, 16 Wall Street, New York City

Counsel, MASTEN & NICHOLS, 49 Wall Street, New York City

FIRST ANNUAL REPORT
THE BORDEN COMPANY
AND SUBSIDIARY COMPANIES



To our Stockholders:

IN view of the increasing participation in the ownership of our Company by the investment public, your Directors have deemed it proper to issue to stockholders of record, as soon as practicable after the close of each fiscal year, a statement of financial condition and in accordance with this adopted policy, I submit herewith our First Annual Report, for the fiscal year ended December 31, 1919.

[7]

CORPORATE ORGANIZATION AND SCOPE

THE business of your Company may be divided into two parts:

[1] The manufacture and sale of milk products comprising:

CONDENSED MILK	CONDENSED COFFEE AND MILK
EVAPORATED MILK	CONDENSED COCOA AND MILK
DRIED MILK	MILK CHOCOLATES
MALTED MILK	CARAMELS

[2] The purchase, preparation and distribution of fresh milk, cream, and other dairy products by a system of wagon deliveries.

THE manufacturing operations are conducted by The Borden Company [which dates back to 1857 in the production of Eagle Brand Condensed Milk], and its following manufacturing subsidiaries:

<i>Corporate Name</i>	<i>Percentage of Stock Owned</i>
THE BORDEN SALES CO., INC.	100%
BORDEN'S PREMIUM CO., INC.	100%
THE BORDEN COMPANY OF CALIFORNIA . . .	100%
THE BORDEN COMPANY OF UTAH	100%
THE BORDEN COMPANY, LTD. (CANADA) . . .	100%

THE fresh milk and dairy products distribution in the so-called Metropolitan District of New York City and adjacent territory, in Chicago, Ill. and its suburbs, and in Montreal, Canada, is conducted by Borden's Farm Products Company, Inc., and subsidiaries as follows:

<i>Corporate Name</i>	<i>Percentage of Stock Owned</i>
BORDEN'S FARM PRODUCTS CO., INC.	97.10%
BORDEN'S FARM PRODUCTS CO., LTD. (CANADA)	100.00%
BORDEN'S WEST STOCKBRIDGE CORP.	100.00%

BORDEN's Farm Products Company, Inc., and its subsidiaries, have their own operating organizations and headquarters distinct from those of The Borden Company (the parent concern) and its manufacturing subsidiaries. This distinction is necessitated by the essential difference in the nature and problems of the two branches of the business.

PROPERTY, PLANT AND EQUIPMENT

THE properties of the Companies include thirty-one complete condenseries, eleven tin can manufacturing shops, eleven feeders, two confectionery plants, two malted milk plants, and two dry milk plants (one in course of construction), located in the states of New York, Vermont, Wisconsin, Illinois, Michigan, Kansas, Utah, Washington and California, and in the provinces of Ontario, British Columbia, Quebec and Nova Scotia, Canada; and the ten-story home office building in New York City. The foregoing plants, with full equipment, are operated by The Borden Company and its manufacturing subsidiaries.

The properties of Borden's Farm Products Company, Inc., and its subsidiaries include eight certified milk farms, one hundred and fifty-six country bottling plants and receiving stations, located in the states of New York, New Jersey, Connecticut, Pennsylvania, Vermont, Illinois and Wisconsin, and in Canada; seventy city pasteurizing plants and distributing branches, and over thirty-four hundred horses and wagons, two hundred and thirty motor vehicles and tractors, with requisite garages, repair shops, horse hospital, etc.

The above-mentioned properties, as indicated on the General Balance Sheet presented on page 12, are carried on the books of the Company at \$21,961,529.56, against which a depreciation reserve has been set up of \$5,818,731.15, or a net property valuation of \$16,142,798.41. Property values are carried as determined by the American Appraisal Company in 1911, except as to properties acquired since that time which are in no case carried at over cost.

GENERAL REMARKS

IT will be noted, from the financial statements appended, that the net income for the year of \$4,284,602.81 amounts to 3½% on the gross sales of \$122,284,195.55, or 10% on the actual capital invested in the business, not including borrowed capital and irrespective of the investment in trade marks, patents and good-will. The trade name and trade marks, carried on the books at \$5,960,490.29 (including patents), represent over \$2,000,000.00 cash expenditure.

The net income applicable to the common stock, after charges of every nature and after preferred dividends, is equivalent to \$17.81 per share of common stock outstanding. The average annual net income applicable to the common stock for a period of the last five years is \$14.72.

Current assets, as of December 31, 1919, amounted to \$2.42 for every \$1.00 of current liabilities. Inventories are carried at either cost or market value, whichever figure is lower.

Investments of \$6,511,697.00, as reported, represent income producing capital stock of other companies carried at less than market value.

The recent development of your Company has been rapid and, in so far as manufacturing operations are concerned, satisfactory.

The fresh milk business conducted by Borden's Farm Products Company, Inc., has, like that of other milk distributors, been subjected to trying conditions which have contributed to unsatisfactory results in that branch of the business.

As to the future: the needs of the Allied Armies and of the civilian population of Europe during the war period made necessary a large expansion in the production of canned milks, most of which, because of war devastation in Europe, was developed in this country. While final statistics are not yet available, the indicated total production of canned milks in the United States by all manufacturers was 150% greater in 1919 than in 1914. It is obvious that domestic consumption cannot immediately absorb such increased productive capacity. Naturally manufacturers

are endeavoring to increase their domestic distribution and find profitable outlet in export markets. The depreciation in foreign exchanges, and the gradual recovery of milk production in Europe, operate to make the American manufacturer's position a difficult one; and, as export possibilities are lessened, the effect of the adjustment, which must come, will be felt the more in domestic markets. Such considerations indicate that the financial results of the current year in the canned milk industry, in common with many other industries, will be dependent in large part upon the operation of world forces made abnormal by war influences and upon the extent to which the prevailing conditions are met by wise and intelligent action by men and agencies in a position to contribute.

The development of the specialty lines handled by the Company, particularly malted milk and confectionery, has been satisfactory, and their outlook is promising.

During the current year there will come into operation a new dry milk plant which will add considerably to our production of this commodity, for which there is a steadily increasing demand.

Advantage is taken of this opportunity to acknowledge the intelligent interest, co-operation and loyalty of the employees of the organization whose united efforts, under abnormal conditions during the past, have made possible the Company's accomplishments.

Respectfully submitted,

ARTHUR W. MILBURN

President

THE BORDEN COMPANY *and* SUBSIDIARY COMPANIES
Consolidated General Balance Sheet, December 31, 1919

ASSETS

Property, Plant, and Equipment	\$21,961,529.56
CURRENT ASSETS:	
Cash	\$2,186,840.31
Receivables	8,110,082.95
Liberty Bonds, etc.	907,027.06
Finished Goods	7,968,890.27
Raw Materials, Supplies, etc.	6,496,584.35
	25,669,424.94
Investment in Capital Stock of Other Companies	6,511,697.00
Deferred and Suspended Assets	434,161.22
Trade Marks, Patents, and Good Will	5,960,490.29
	\$60,537,303.01
TOTAL ASSETS	

TOTAL \$60,537,303.01

THE BORDEN COMPANY *and* SUBSIDIARY COMPANIES

Consolidated General Balance Sheet, December 31, 1919

LIABILITIES

Mortgages	\$257,200.00	
Purchase Money Notes	800,583.34	
	<u> </u>	\$1,057,783.34

CURRENT LIABILITIES:

Notes Payable—Bank Loans	\$2,700,000.00	
Notes Payable—(Purchase of Liberty Bonds)	263,000.00	
Accounts Payable	5,629,889.16	
Accrued Accounts, Taxes (estimated), etc.	2,023,579.89	
	<u> </u>	10,616,469.05

Deferred and Suspended Liabilities		283,348.21
		<u> </u>

TOTAL LIABILITIES TO OTHER THAN STOCKHOLDERS . . . \$11,957,600.60

CAPITAL STOCK:

The Borden Co., 6% Preferred	\$7,500,000.00	
The Borden Co., Common	21,368,100.00	
Borden's Farm Products Co.,		
Inc., 7% First Preferred	417,700.00	
	<u> </u>	\$29,285,800.00

RESERVES:

Depreciation	\$5,818,731.15	
Insurance, Contingencies, etc.	6,619,119.78	
	<u> </u>	12,437,850.93

SURPLUS	6,856,051.48	
	<u> </u>	

TOTAL CAPITAL STOCK, RESERVES, AND SURPLUS . . . 48,579,702.41

TOTAL \$60,537,303.01

THE BORDEN COMPANY *and* SUBSIDIARY COMPANIES

Statement of Consolidated Income and Profit and Loss for the Year Ended December 31, 1919

GROSS SALES		<u>\$122,284,195.55</u>
NET OPERATING PROFIT:		
(After deducting all operating charges, including Deprecia- tion, Insurance, and Property Taxes)		\$5,299,079.99
OTHER DEDUCTIONS:		
Interest—Net	\$290,159.96	
Income and Profits Taxes (estimated)	<u>724,317.22</u>	
		<u>1,014,477.18</u>
NET INCOME		\$4,284,602.81
SURPLUS, January 1, 1919, as adjusted		<u>5,191,443.10</u>
	TOTAL	\$9,476,045.91
LESS:		
DIVIDENDS:		
The Borden Company, Preferred 6%	\$450,000.00	
The Borden Company, Common 8%	1,709,440.00	
Borden's Farm Products Company, Inc., First Preferred 7%	<u>29,239.00</u>	
Total Dividends	\$2,188,679.00	
Appropriations for Reserves	<u>431,315.43</u>	
		<u>2,619,994.43</u>
SURPLUS, December 31, 1919		<u>\$6,856,051.48</u>

NEW YORK
CHICAGO
PHILADELPHIA
DETROIT
CLEVELAND
BOSTON
SAINT LOUIS
BALTIMORE
PITTSBURGH
SAN FRANCISCO
LOS ANGELES
NEW ORLEANS
SEATTLE
DENVER
ATLANTA
WATERTOWN
LONDON

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

CABLE ADDRESS "HASKSELLS"

30 BROAD STREET
NEW YORK

THE BORDEN COMPANY *and* SUBSIDIARY COMPANIES

CERTIFICATE OF AUDIT

We have audited the books and accounts of The Borden Company and its Subsidiary Companies for the year ended December 31, 1919.

We have verified the accounts representing cash and securities either by examination of such assets or by obtaining certifications of depositaries.

The charges to property accounts have been controlled by a conservative policy. Adequate reserves have been provided for depreciation of property and for possible losses, and full provision has been made for all known liabilities.

The inventories of finished goods and raw materials and supplies represent book balances as shown by the inventory records which are adjusted from time to time to agree with physical inventories, and which were examined and appear to be correct, all inventory valuations being based upon cost or market, whichever was lower.

WE HEREBY CERTIFY that, in our opinion, the accompanying Consolidated General Balance Sheet and Statement of Consolidated Income and Profit and Loss correctly exhibit, respectively, the financial condition of the Companies at December 31, 1919, and the results of their operations for the year ended that date.

HASKINS & SELLS

New York, March 26, 1920.

J. C. & W. E. POWERS • *Printers* • NEW YORK